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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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October 28, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**CERTIFY THE FINAL ENVIRONMENTAL IMPACT REPORT
ADOPT THE FINDINGS OF FACT AND
STATEMENT OF OVERRIDING CONSIDERATIONS
ADOPT THE MITIGATION MONITORING AND REPORTING PROGRAM
AMEND THE MASTER LEASE AGREEMENT
WITH THE LA PLAZA DE CULTURA Y ARTES FOUNDATION
AND APPROVE RELATED ACTIONS FOR IMPLEMENTATION OF THE
LA PLAZA CULTURA VILLAGE PROJECT
FIRST DISTRICT
(3 VOTES)**

SUBJECT

The recommended actions will allow the LA Plaza de Cultura y Artes Foundation, a nonprofit organization and current County Lessee operating the cultural center known as LA Plaza de Cultura y Artes, to exercise its lease option to expand its premises to allow for the development of two additional adjacent County-owned parcels for the LA Plaza Cultura Village Project, in downtown Los Angeles, south of Cesar C. Chavez Boulevard and between Hill Street and Spring Street.

IT IS RECOMMENDED THAT THE BOARD:

1. Certify that the Final Environmental Impact Report for the LA Plaza Cultura Village Project has been completed in compliance with the California Environmental Quality Act and reflects the independent judgment and analysis of the County; find that the Board has reviewed and considered the information in the Final Environmental Impact Report, including comments received during the public review period in their decision making process, prior to approving the Project and adopting the Mitigation Monitoring and Reporting Program; find that the Mitigation Monitoring and Reporting Program is adequately designed to ensure compliance with the mitigation measures during project

implementation and determine that potential significant adverse effects of the Project have been reduced to an acceptable level to the extent feasible, and are otherwise outweighed by specific benefits of the Project as outlined in the Environmental Findings of Fact and Statement of Overriding Considerations, which findings are adopted and incorporated by reference.

2. Determine that in accordance with Section 26227 of the Government Code, the proposed actions will fund programs necessary to meet the social needs of the population of the County that will serve public purposes, and that in furtherance of those programs the County is making available real property to carry out and finance the programs, which real property is not, and during the term of the lease with the non-profit Foundation, will not be needed for County purposes.

3. Acknowledge receipt of the LA Plaza de Cultura y Artes Foundation's Lease Option Notice to exercise the option to develop the County owned parcels for the proposed Project; and approve an amendment to the Master Lease by and between the County and the LA Plaza de Cultura y Artes Foundation, including without limitation the form of Sublease from LA Plaza de Cultura y Artes Foundation to LA Plaza Partners, LLC, and the form of the Option To Sublease Agreement between the LA Plaza de Cultura y Artes Foundation and LA Plaza Partners, LLC, all as attached in substantially final form.

4. Approve the proposed LA Plaza Cultura Village Project with a total Project cost estimate of \$135 million, to be privately financed, developed, and operated by La Plaza Partners, LLC, an affiliate of Trammell Crow Company pursuant to the Option to Sublease Agreement and the Sublease with LA Plaza de Cultura y Artes Foundation.

5. Approve the Schematic Design Drawings for the proposed LA Plaza Cultura Village Project conditioned upon final approval of the site plan by the Department of Regional Planning.

6. Approve the form of the Agreement of Purchase and Sale and Joint Escrow Instructions for the County's purchase of the La Colima Property for the purchase price of \$1 from La Plaza Partners, LLC to be included in the Project site, which purchase will be consummated upon exercise of La Plaza Partners, LLC's option to sublease from the LA Plaza de Cultura y Artes Foundation and which property shall be added to the Project site.

7. Approve the form of the Sublease Recognition Agreement by and between the County and LA Plaza Partners, LLC, which recognizes the right of La Plaza Partners, LLC to remain in occupation of the Project site pursuant to the terms of the Sublease, if the Master Lease should be terminated for any reason prior to the termination of the Sublease.

8. Authorize the Chief Executive Officer, or his designee, to fully execute the finalized transaction documents and take any other actions and execute any other documents consistent with and/or necessary for the implementation of the foregoing approvals, including without limitation acquisition of any parcels needed to perfect title to the Project Site, at a total maximum cost of \$150,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended actions will certify and adopt environmental documents, approve the proposed LA Plaza Cultura Village Project (Project) and associated transaction documents, including but not limited to an amendment to the Master Lease, the form of an Option to Sublease Agreement and Sublease Agreement, an Agreement to Purchase and Sale and Joint Escrow Instructions, and a Sublease Recognition Agreement, for the LA Plaza de Cultura y Artes Foundation (Foundation) to

proceed with the implementation of the proposed Project.

Background

The Foundation is dedicated to broadening the public's appreciation of the Mexican-American experience in Los Angeles County and celebrates, promotes, and preserves the understanding and appreciation of the diverse contributions of early Mexican-American settlers to the history and development of Los Angeles through programming that integrates arts, culture, and education.

In September 2004, the Board certified a Final Environmental Impact Report (2004 Final EIR) and approved the Plaza de Cultura y Artes Project (LA Plaza Project) and various actions, including the execution of a Lease Agreement (Master Lease), relating to the development of a Mexican-American cultural and multimedia center (cultural center).

The LA Plaza Project included the rehabilitation of the shell and core of the historic Plaza House and Vickrey-Brunswig Building and was completed in December 2009. In October 2010, the Foundation completed the tenant improvements to the two historic buildings and relocated their administrative offices to the fifth floor of the Vickrey-Brunswig Building. In September 2010, the Board approved an Addendum to the previously certified 2004 Final EIR and approved refinements to the La Plaza Project to allow for a more pedestrian-oriented site plan to facilitate the flow of visitor traffic through exhibits on the first and second floors of the two historic buildings, and between Main Street and Spring Street.

Approximately ten years have passed since the execution of the Master Lease and the Foundation is currently responsible for management of the Foundation's programs, and performs maintenance and operational obligations on behalf of the County at the cultural center. Since its opening, the cultural center has hosted more than 150,000 visitors, held more than 100 events and provided school tours and educator training.

On January 7, 2014, the Board authorized project formulation documentation as the framework for study and environmental assessment of a proposed development, and permitted the Foundation to proceed with draft environmental documentation and the solicitation of developer interest required for a proposed Project in preparation of a potential later exercise of its lease option for these additional County properties and recommendations from the County staff. Those recommendations are in this Board Letter.

The Master Lease has an initial term of 66 years with a potential extension of an additional 33 years, at the option of the Foundation, for the development of property subject to the lease option. The recommended Master Lease Amendment permits acceleration of the term extension so it may be added to the term upon La Plaza Partners, LLC (La Plaza Partners), exercising its option to sublease the Project Site, in light of all the attributes of the Foundation and the public benefits of the proposed Project, including but not limited to a covenant for affordable housing, which does not expire until the end of the sublease term.

Under Article 2 of the Master Lease, the Foundation retains an irrevocable option to expand by a lease of all or a portion of the County-owned parcels currently bounded by Spring Street on the east, Cesar Chavez Avenue on the north, Hill Street on the west, and Arcadia Street on the south as shown in the vicinity map in Attachment I for \$1.00.

On October 6, 2014, the Foundation submitted the Lease Option Notice (Attachment II) to the Chief Executive Office (CEO), exercising the option, requesting County approval and listing some of the

anticipated public benefits of the proposed Project. The Foundation must be in compliance with its current lease in order to exercise its option to lease additional property. At this time the County has no knowledge of any events of default that would make the Foundation ineligible to exercise its option, and the Master Lease is in full force and effect as required.

The development structure maintains the Foundation as lessee of the County-owned parcels with a County-approved form of Sublease Agreement and related transaction documents with the developer recommended by the Foundation following its competitive solicitation by a Request For Qualifications/Request For Proposals, which resulted in three development proposals. The Foundation proposes to grant an option to sublease the proposed Project site to La Plaza Partners, a Delaware limited liability company and an affiliate of the Trammell Crow Company, based on Trammell Crow's experience as one of the nation's leading developers and its proposal to team with the Cesar Chavez Foundation to help develop and manage the affordable housing component of the proposed project, and Scott Johnson of Johnson Fain to design the proposed Project.

Proposed Project

The proposed Project seeks to activate an underutilized portion of the El Pueblo district that will create a new mixed-use urban area for downtown Los Angeles. The Foundation proposes to sublease the property to La Plaza Partners to develop a mixed use project totaling the following approximate figures: 373,511 total square feet with 341 for-lease residential units, of which 20%, or 68, would be covenanted to meet affordability standards, 50,101 sq. ft of retail space, and 692 parking spaces.

The total Project cost is estimated at \$135 million, with hard costs estimated at \$100 million.

A complete set of the Schematic Design Drawings is attached (Attachment III) and is available for public review in the Chief Executive Office, 754 Hall of Administration, 500 West Temple Street, Los Angeles, CA 90012 and includes detailed floor plans of each building, elevations, public area features, landscape features, parking facilities, and building sections.

The Department of Regional Planning has performed a preliminary review of a complete set of Schematic Design Drawings for the proposed Project and has determined that the proposed development is in substantial compliance with the applicable provisions of Title 22 of the County Code and will provide a review for final approval of the site plan.

County staff from the CEO reviewed the schematic design documents and did not identify any significant design issues to be addressed at this stage of review. Moreover, staff has determined that the Schematic Design Drawings appear to logically evolve from the Conceptual Plan project description approved by the Board on January 7, 2014. The staff review also has verified that the schematic design documents conform to the approved Project requirements for the integration of affordable housing in the residential plans. The drawings indicate that 20% of the total residential units will be affordable rental units and have common access to the building's amenities.

Approval of the schematic drawings by the Board is required pursuant to the terms and conditions of the Master Lease.

Proposed Social Needs Programming and Public Benefits of Proposed Project

The Foundation and County place a high priority on developing a project design that enhances the utilization of County-owned property that encourages pedestrian circulation and access for the

disabled, and complements the setting of the adjacent historic District and the cultural center.

The proposed Project will provide social, cultural, and economic benefits to the community including the following features. Additionally, a comprehensive and detailed list is provided in the Lease Option Notice from the Foundation in Attachment II:

- The covenants for 20% of the residential units for affordable housing for the entire remaining term of the proposed 99-year Lease and restricted to families with incomes of no greater than 80% of area median income;
- Development of the Paseo (pedestrian trail) from Union Station to Fort Moore Pioneer Monument through the Project to educate visitors on the history of Los Angeles through interpretive elements and unique wayfinding signage and a design to permit a view from the Paseo to Fort Moore Pioneer Monument through the Project;
- Availability of restaurants and retail facilities for visitors as well as residents;
- Construction of a 2,500 sq. ft. demonstration kitchen for the Foundation to use for culinary education programs;
- Promotion of bicycle mobility through amenities geared towards bicycle transportation, bicycle parking, lockers, areas for bicycle repair and bike friendly zones;
- Promotion of pedestrian mobility through the linkage to Union Station and access for the disabled for the grade change of 40 feet from the Project to Hill Street;
- Revitalization of the area that is underutilized through amenities such as a pocket park, outdoor spaces for events, dining areas, and water features;
- Design and construction will be equivalent to LEED silver features;
- Incorporation of public art that will be displayed within the Project;
- Creation of a safe and inviting neighborhood by the use of security lighting, increased activity and a 24 hour uniformed security patrol; and
- The Project will ensure a continuous future revenue stream from both its option and rent requirements which will go to the Foundation to enhance and support the Foundation's educational programming and mission.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs the provision of Integrated Services Delivery (Goal 3) by improving the opportunities to result in improved community outcomes and leverage resources through continued integration of community services. The Project will provide a comprehensive, integrated development of County property, which will generate rental payments to the Foundation to enhance and support the educational programming and mission of the Foundation while increasing residential and commercial properties.

FISCAL IMPACT/FINANCING

The Master Lease provides that the Foundation's conditions to commence construction of new improvements are at its sole cost and expense, including evidence of sufficient assets and/or available funds required to complete the construction of any proposed new improvements. The proposed Project is being privately funded by La Plaza Partners.

Currently the Project site consists of two surface parking lots, Lots 15 and 21, managed by Internal Services Department, and operated by Classic Parking. Lots 15 and 21 generate on average approximately \$565,000 annually in net revenue for the County due to the use of parking by the public, federal jurors and employees. Once the property is subleased to La Plaza Partners, the County will no longer receive that parking revenue.

Under the current Maintenance and Operating Agreement between the County and the Foundation, as amended in July 2012, June 2014, and September 30, 2014, the County agreed to provide a consistent funding base and an annual CPI based adjustment, and established funding match requirements from the Foundation for its maintenance and operation of the cultural center. All maintenance and operation costs are paid directly by the Foundation. The revenue generated from the Project will contribute to the Foundation's required annual Foundation matching contribution. The Foundation is required to match the County in an amount equal to 80% percent of the annually adjusted County Contribution. In the County Supplemental Budget for Fiscal Year 2014-15, the base year funding amount equaled \$2.53 million in net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The current Master Lease and amendment to the Master Lease (Master Lease Amendment) between the County and the Foundation is authorized by Government Code 26227, which permits the Board to establish and fund social programs deemed necessary for the County to meet social needs of its population, and also to make available real property of the County to a public agency or nonprofit organization to carry out such programs upon any terms the Board determines to be in the best interest of the County and the public.

In order for the Foundation to exercise the option to develop the County owned parcels for the proposed Project, the Master Lease would be amended to extend the Lease term for an additional 33 years, for a total of 99 years, expiring on November 3, 2103, with 89 years remaining on the Master Lease term. However, the extension of the term would only take effect upon La Plaza Partners exercising its option to sublease the Project site.

Under the proposed Master Lease Amendment (Attachment IV), the Board would also be approving the terms of the Option to Sublease Agreement (Option Agreement) and the Sublease Agreement, by and between the Foundation and La Plaza Partners which Sublease Agreement would be executed upon La Plaza Partners' exercise of its option to sublease the proposed Project site. The terms of the Sublease Agreement include, but are not limited to, a covenant for affordable housing for the term of the Lease, option payments and rent to be paid to the Foundation, replacement of the 150 parking spaces for County employees, funding for improvements to the Historic Paseo, and terms related to construction-related requirements, approvals by the Foundation and County, bonds, permitted uses, and maintenance. The Option Agreement between the Foundation and La Plaza Partners addresses the terms and conditions required for exercise of the developer's option to sublease the property from the Foundation.

The proposed Master Lease Amendment would also include expansion of the Project site, in the form of the addition to the leased Premises of the La Colima property. La Plaza Partners has entered into a purchase agreement with property owners of the La Colima property, located on the corner of Cesar Chavez Avenue and Broadway, and will purchase the La Colima property and sell the property to the County for the purchase price of \$1, through an Agreement to Purchase and Sale and Joint Escrow Instructions (Purchase and Sale Agreement) (Attachment V) upon La Plaza Partners' exercise of the option to sublease from the Foundation. In addition, the proposed actions would allow the CEO, if necessary, to acquire on behalf of the County title to two-parcels of land at the site which are currently held by the City of Los Angeles, at a total cost not-to-exceed \$200,000.

Terms related to construction, casualty and uses will be updated or added in the Master Lease Amendment.

In amending the Master Lease and adding provisions for a Sublease Agreement, the Board will also approve the form of a Sublease Recognition Agreement (Recognition Agreement), by and between the County and La Plaza Partners (Attachment VI), to be entered into upon LA Plaza Partners' exercise of its option to sublease. The Recognition Agreement recognizes the right of La Plaza Partners to remain in occupation of the Project site pursuant to the terms of the Sublease Agreement, if the Master Lease should be terminated for any reason prior to the termination of the Sublease Agreement. Pursuant to the Recognition Agreement, if the Master Lease is terminated then the County would then have the right to immediately replace the non-profit Foundation with an alternate non-profit entity to enter into a substantially similar Master Lease and continue the role of Foundation with respect to the Sublease Agreement.

Pursuant to the Master Lease Amendment, the Foundation will be in breach of the Lease if: 1) Foundation fails to perform or comply with any of its obligations under the Sublease Agreement beyond applicable cure periods, or Foundation fails to use reasonable efforts to compel La Plaza Partners to comply with its obligations under the Sublease Agreement; 2) the Sublease Agreement is terminated by La Plaza Partners or La Plaza Partners abandons the Project site, and the Foundation fails to sublease the entire Project site to another sublessee reasonably acceptable to the County within 180 days following the termination of the Sublease Agreement or abandonment of the Project site by La Plaza Partners. In the event of default, the County may terminate the Lease and pursue any available remedies.

The Master Lease Amendment, Purchase and Sale Agreement, and Recognition Agreement, as well as the Option Agreement, and Sublease Agreement, are in compliance with all Board and CEO requirements and have been approved as to form by County Counsel.

Supervisor Gloria Molina (Molina) currently serves as a member of the Board of Directors of the Foundation. The directors and officers of the Foundation do not benefit financially from serving in both positions. As the Foundation's primary purpose is to support the Board in the rehabilitation and development of the El Pueblo properties, County Counsel has advised that the conflict of interest laws would not preclude the County from approving these recommendations. Further, the law does not limit Supervisor Molina's ability to participate in the County's discussions or decisions regarding the project or these recommendations provided her affiliation with the Foundation is noted in the official record at the time of any decision.

ENVIRONMENTAL DOCUMENTATION

The County of Los Angeles, as lead agency, directed preparation of an Environmental Impact Report (EIR) for the Project in compliance with the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and applicable laws and local guidelines to inform public agency decision makers and the general public about the project and its significant environmental effects, to suggest possible ways of minimizing those significant effects, and to describe a reasonable range of alternatives that could feasibly attain most of the basic objectives of the Project, but would avoid or substantially lessen any of the significant effects of the Project.

A copy of the EIR and related environmental documents are included as Attachment VII.

As a result of that analysis, two alternatives considered for the proposed Project include the "No Project Alternative" and the "Reduced Residential/Retail Alternative." The No Project Alternative would eliminate the significant and unavoidable impacts related to air quality (operation) and noise (construction) that would occur under the proposed Project. However, the No Project Alternative

would not meet the proposed Project's purpose to provide for a mixed-use, transit-oriented, infill development. The No Project Alternative would not implement any of the social, cultural, and economic benefits to the community through a mix of transit-oriented uses and visitor-serving development on the Project site. Consequently, this alternative would not meet any of the project alternatives.

The Reduced Residential/Retail Alternative involves reducing the size of the residential and visitor-serving retail components on Block A by 40%, while maintaining the other components of the proposed Project the same. This alternative would incrementally reduce the construction impacts of the Project. In addition, this alternative would provide up to 297 for lease residential units (compared to 345 under the proposed project), with 20% of those reserved as affordable units, and up to 41,000 sq. ft. of visitor-serving retail (compared to 55,000 sq. ft. under the proposed project). This alternative would avoid the impact to air quality during operation and would achieve most of the proposed Project's objectives (although not to the same extent as the proposed Project). However, this alternative would not avoid the construction noise impacts of the Project, which would remain significant and unavoidable.

A Notice of Preparation (NOP) to announce scoping for a Draft EIR for the project was prepared and distributed on March 21, 2014 to the State Clearinghouse and to various federal, State, regional, and local government agencies, all owners within 500 feet of the Project site, and other interested parties for the required 30-day review and comment period. The County of Los Angeles hosted a scoping meeting on April 9, 2014 at the LA Plaza de Cultura y Artes building (501 N. Main Street, 4th Floor in downtown Los Angeles), to solicit input from the public on the elements of the Project.

The Draft EIR was completed and circulated for public review for 45 days beginning on July 16, 2014. A Notice of Completion (NOC) was published in the Downtown News, Eastside Sun, and Sing Tao Daily newspapers; was mailed directly to various federal, state, regional, and local government agencies, all owners within 500 feet of the Project site, and other interested parties; and was posted on the Department of Regional Planning website and at the Project site. Copies of the Draft EIR were available throughout the public review period at four libraries located in the vicinity of the Project site, as well as at the Department of Regional Planning downtown office.

The Final EIR was prepared based on the comments provided in response to circulation of the Draft EIR for public review, and clarifications and revisions resulting from public review of the Draft EIR. The County of Los Angeles hosted a hearing examiner meeting on August 25, 2014, to solicit comments on the Draft EIR. There was one speaker, a County employee, who objected to loss of County employee parking spaces. A total of 6 timely letters and 2 late letters were received on the Draft EIR from the resource agencies, organized groups, and private individuals. The final EIR contains responses to all comments, which included comments on air quality and construction impacts as well as concerns about the project relationship to the gateway to Chinatown. At the completion of the Final EIR, a Notice of Availability (NOA) and copies of the Final EIR were sent to all public agencies that submitted comments on the Draft EIR and also to all others who commented on the Draft EIR, to the extent their addresses were provided with their comments. The Final EIR is available at all of the same libraries as the Draft EIR and also available on CD, hard copy, and electronically on the web through a link on the Department of Regional Planning website.

The Final EIR consists of the Draft EIR, dated July 2014, with its Technical Appendices, and Comments and Responses to Comments, Corrections and Additions, and the Mitigation Monitoring Program, dated October 2014.

There are Environmental Findings of Facts and a Statement of Overriding Considerations for the

Project for adoption. The remaining significant environmental impacts of the Project are construction period noise and some air quality as calculated if the Project were actually completed in 2014, which will not actually occur, and which impacts are projected to decrease by the actual occupancy dates for the Project due to projected benefits from fleet turnover, have been reduced to the extent feasible, and the benefits of the proposed Project outweigh the unavoidable adverse impacts. The benefits of the Project are documented in the record of the Project and the Final EIR and the Statement of Overriding Considerations.

CONTRACTING PROCESS

Pursuant to the Master Lease and the Amendment thereto, the Foundation and La Plaza Partners will be responsible for negotiating and executing any contracts that are required to complete the Project. The Foundation's contracts will contain covenants requiring compliance with labor regulations, performance bonds, and insurance coverage that are consistent with County standards.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Project is scheduled to commence construction in 2015. This will require closure of Parking Lots 15 and 21, which will impact employee parking. Since employee parking continues to be the responsibility of the County, replacement parking will be provided in Parking Lot 58, a garage located at 1055 North Alameda Street that is restricted to County parking, operated by Internal Services Department. For each calendar month during construction, La Plaza Partners will fund/provide DASH trip ticket booklets for the employees.

Once construction is complete and the Project is operational, up to 150 County employees will have parking privileges in the newly constructed parking garage. The negotiated cost for parking privileges at the Project will be \$100/month (\$10 above the set price of \$90 as determined by the Civic Center Parking Plan), with a reevaluation of this cost every five years between the County and the operator.

We will work with the Internal Services Department to ensure a smooth transition.

CONCLUSION

Upon approval of the recommended actions by the Board, please submit five fully executed copies of the Board letter to the Chief Executive Office, Facilities and Asset Management Division.

The Honorable Board of Supervisors

10/28/2014

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a long horizontal line extending to the right.

WILLIAM T FUJIOKA

Chief Executive Officer

WTF:SHK:DJT

SW:CF:rp

c: Executive Office, Board of Supervisors
County Counsel
Glaser Weil Fink Jacobs Howard Avchen &
Shapiro LLP
LA Plaza de Cultura y Artes Foundation
La Plaza Partners, LLC
Internal Services
Regional Planning